

APEC : A BLUEPRINT FOR ASIA'S LONG-TERM GROWTH?

Address by Senator Gareth Evans, Minister for Foreign Affairs of Australia, to World Economic Forum 1995 Europe/East Asia Economic Summit, Singapore, 22 September 1995

A. APEC'S RATIONALE

Right from the outset there was a compelling logic for the creation of APEC. If it hadn't been inaugurated by Australia in Canberra in 1989, it was only a matter of time before some other country took the initiative. Why?

- (1) There was an established bank of intellectual and political capital on which to draw: statesmen, business leaders and academics around the region had been speaking and writing for years about the virtues of Pacific Rim or Pacific Basin economic cooperation.
- (2) East Asian economic dynamism was, by the end of the 1980s, an intensely visible reality. Everybody in the region was either enjoying the action, or working out ways to be part of it - and at the same time asking how it could be sustained. Was there a way of harnessing cooperation to the competition, so that everyone would be better off in the short to medium term, and more confident about the long term?
- (3) The idea of regionalism was beginning to capture the imagination of countries right around the world. Europe had led the way with the EU, but similar moves were afoot elsewhere - e.g. in Latin America, with MERCOSUR; in North America, with NAFTA a gleam in policy-makers eyes; in South Asia, with SAARC; and, in a security context, with the CSCE (now OSCE) in the North Atlantic.

In 1995 - six years later - that mood is much further developed, and better understood. Regional and sub-regional groupings - especially economically based - are being developed almost everywhere. They are seen especially as a way of adding value. In trade and investment liberalisation terms, that means adding value over and above that which is achievable through either GATT/WTO-driven global liberalisation, or through bilaterally negotiated or unilateral action.

- (4) The idea of an Asia Pacific region, - embracing both sides of the Pacific, was one whose time had come by the late 1980. Even if it hadn't come, it needed to be assiduously pursued, for several reasons:

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- In 1989, the Uruguay Round was stumbling, and there were real fears of the world collapsing into three warring trade blocs built around the dollar, yen and deutschmark respectively. APEC was conceived, as much as anything else, as a way of avoiding that nightmare scenario: it was to be a bridge across the Pacific, operating as a counterweight to the divisive tendencies pulling the other way.
- In 1995, that is still a crucial, perhaps the crucial, rationale for APEC. Bilateral trade tensions between Japan and the United States, while beginning to ease, are going to be part of the landscape for a long time yet to come. And tensions with China - both economic and political - are going to be extremely difficult to contain over the next decade or more. While there is every reason for confidence that China will successfully manage the transition to modernisation of its economy, with political liberalisation following inexorably thereafter, the present still has to be managed.
- APEC in the economic sphere will continue to be the most important tension and division reducing mechanism (like the new ASEAN Regional Forum in the security sphere, which has already proved its worth with the defusing of the South China Sea issue this year)

B. APEC'S EVOLUTION

APEC's evolution to date has been remarkable. In six short years, we have already seen the organisation grow, not only in size - from its initial twelve members to the eighteen major economies of the region - but also in the scope of its activities, through three clear phases:

Phase One: The Canberra Agenda

This continuing agenda has involved economic cooperation in the traditional OECD sense - data compilation, policy dialogue, sectoral policy development (e.g. in energy, communications and infrastructure) and thematic policy development (e.g. in human resources development, and small and medium enterprise networking). Many working groups have been established; most of them have been productive; useful output is accelerating with the passage of time; this activity continues; and all APEC members - especially the developing economies - are comfortable with it.

Phase Two: The Seattle Agenda

Stimulated into life by the first Leaders Meeting in Seattle in 1993, this agenda embraces trade and investment facilitation issues like harmonisation of customs procedures, technical standards and conformance certification procedures and the like. Results are now beginning to be delivered. And because this subject matter has immediate dollars and cents implications for business, business enthusiasm for what APEC is capable of delivering has become much more stimulated as a result.

Phase Three: The Bogor Agenda

Now, since last year's Leaders Meeting in Indonesia, we have the biggest agenda of all: a commitment to the achievement of free and open trade and investment in the region - no later than 2010 in the case of industrialised economies, and no later than 2020 for the developing economies.

One of the less noticed features of the Bogor Declaration, which I was pleased to hear President Suharto mention yesterday, was the agreement to explore the possibility of a voluntary consultative dispute mediation service, to support (not supplant) the new WTO dispute settlement mechanism. This may prove to be a helpful addition to the repertoire of means available to deal, in particular, with some of the disputes that seem inevitably destined to recur between the US, Japan and China.

C. THE OSAKA CHALLENGE

The task now is to put flesh on the Bogor Declaration bones, and reach agreement on a specific action plan to implement it. While not the only task for APEC Ministers and Leaders when we meet again in Osaka in November, it is far and away the biggest task, and the one by which the success of the meeting will be measured.

Broad agreement has already been reached on the overall shape of that action plan. What we are talking about is

- neither strict, hard edged GATT-style multilateral offer and acceptance negotiations
- nor very loose voluntarism, in which every member economy is absolutely free to choose the pace at which it unilaterally liberalises

but rather something in between - a "concerted unilateral action" approach, in which each economy

brings forward individual country action plans to detail how the main trade investment liberalisation topics will be tackled, and with a process of peer review and discussion then following to ensure, so far as possible, that everyone is pulling their weight.

The two biggest issues that remain to be resolved at Osaka are comparability and comprehensiveness.

(1) Comparability

While it won't be possible to achieve strict equivalence among and between these individual plans, particularly in the early stages of Bogor implementation, the challenge will remain to maximise the level of comparability to ensure that all members are pulling their weight, and are seen to be doing so.

We envisage this as being achievable in two ways:

- First, specific guidelines will need to be developed (and a start has been made on this) to give direction to APEC members as they draw up their individual plans in each of the main areas of tariffs, services, investment etc.
- Secondly, during the preparation of the plans in 1996 and following their submission, extensive consultations will need to take place among members to balance and improve their plans. We see this as an ongoing process, with the mechanisms used likely to be refined and improved over time.

(2) Comprehensiveness

It is crucially important, if the Bogor momentum is to be maintained, that the liberalisation process extend across all sectors without exception. Each economy of course has its own politically sensitive sectors, but the immediate result of one member being allowed to take one sector off the table - whether it be agriculture, textiles, automobiles, legal services or anything else - is that others will follow suit and the whole process will be rapidly in tatters.

There is ample scope for variation in the pace of which different sectors are liberalised within the generous Bogor timeframes. We should be looking, accordingly, for an unequivocal embrace at Osaka of the "comprehensive coverage" principle, without any dilution of that principle by weasel words, like "differential treatment" and "divergent conditions", so dear to the heart of agricultural negotiators in particular.

There has been a little nervousness following the most recent Senior Officials Meeting in Hong Kong, about the possibility of a serious gap opening up on the comprehensiveness issue, but Australia remains generally optimistic about the eventual Osaka outcome: the

stakes are simply becoming too high - not least for Japan - for failure, or perceived failure, to be seriously contemplated.

D. APEC'S FUTURE

I don't see APEC ever really being in the business of writing "blueprints" for continued growth in the Asia Pacific region: there is too much raw economic energy surging around the region for the kind of planning, organisation and codification of action that that language implies.

But APEC will continue to grow in importance as the framework within which governments can better coordinate their policies to stimulate and perpetuate that growth - in particular through giving a greater push than would otherwise naturally occur to trade and investment liberalisation and facilitation.

Inevitably APEC will become more and more a structured organisation, rather than the loose consultative process it was at the outset. The name "APEC" - which is still, as I once described it, "four adjectives in search of a noun" - will no doubt eventually change to reflect that reality: the sense of community in this region is already growing remarkably rapidly, not only in an economic sense, and I think it is only a matter of time before we embrace the terminology "Asia Pacific Economic Community".

But having said that, I don't think it is likely that APEC will ever really be as totally or strictly integrated an economic community as the EC - now EU - has been, with a very high measure of harmonisation and integration of trade policy, industry policy and even macro-economic policy.

Certainly I don't feel that Europe will ever have anything to fear from APEC as a warring trade bloc. "Open regionalism" is the principle on which APEC began, which has been our guiding light as long as we have been discussing trade policy, and which still dominates all our discussions.

It is true that there are all sorts of views still in play as to how - both strategically and tactically - we can best achieve further liberalisation in the region, and further liberalisation on a global basis

- but the idea of achieving liberalisation within the region at the expense of the rest of the globe - or more particularly at the expense of Europe - is just not one of them.